



HEBER CREEPER

P.O. BOX 69, HEBER CITY, UTAH, 84032

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January 9, 1976

Mr. Ronnie L. Cutshall
Jones, Waldo, Holbrook & McDonough
800 Walker Bank Building
Salt Lake City, Utah 84111

Dear Mr. Cutshall,

As per our telephone conversation, we are enclosing copies of correspondence from the Internal Revenue Service to the Wasatch Railway Museum and Foundation Inc. The Board of the Heber Creeper, which includes two officers of the Museum met last night, and we requested a written statement from them as to their position. (Enclosed)

While I cannot agree either with the analysis of the IRS, nor with the stand of the Foundation, I feel the conclusion reached by the IRS is probably correct and that it would make little difference whether or not a lease existed if in fact the dominant part of the Foundation activity has been and would continue to be in direct relationship with the operating profit-oriented company.

I would appreciate a legal response to the following questions:

1. It is probably true that in excess of 90% of the assets of the Foundation are leased to the Heber Creeper. Is it correct current assumption by the Foundation that the lease as it is now structured is the primary reason for the potential loss of their tax exempt status?
2. If the Foundation were to lose their status as a tax-free foundation, which violates clause 7 of the current lease between the Heber Creeper and the Foundation, Will in fact the balance of the lease be invalid?
3. Would a solution to the Foundation problem be a sale of some of their assets to the Heber Creeper for a cancelation of the pre-paid lease, so that most of their assets (in number if not in value) would be under their control? Particularly if the Heber Creeper would allow them to utilize a portion of our depot property for their future museum?

Very truly yours,

HEBER CREEPER, INC.


Lowe Ashton

Enclosures

THE IRON HORSE TRAIL THROUGH THE ALPS OF AMERICA

